

## Fund 090

### Public School Operating

#### Board of Supervisors' Adjustments

*The following funding adjustments reflect all changes to the FY 2005 Advertised Budget Plan, as approved by the Board of Supervisors on April 26, 2004:*

- ◆ The Board of Supervisors made no changes to the County General Fund Transfer contained in the County's FY 2005 Advertised Budget Plan. The FY 2005 General Fund Transfer for school operations totals \$1,322,374,187, an increase of \$81,523,866, or 6.57 percent, over the *FY 2004 Revised Budget Plan* transfer of \$1,240,850,321.
- ◆ The Board of Supervisors under its Budget Guidelines for FY 2006 supports the creation of replacement reserves for school buses in Fund 503, Department of Vehicles and computers in Fund 505, Technology Infrastructure Services and directs that one-time balances generated at the *FY 2004 Carryover Review* be considered for redirection to establish these reserves. The County will work with the School system on the development of methodology and criteria for the reserves and a strategy for funding future annual contributions.

#### Focus

Expenditures required for operating, maintaining and supporting the instructional program of Fairfax County Public Schools (FCPS) are recorded in Fund 090, Public School Operating. These expenditures include the costs for salaries and related employee benefits, materials, equipment and services to continue current programs as well as costs for projected changes in membership and inflation. Revenue to support these expenditures is provided by a transfer from the County General Fund, state and federal aid, tuition payments from the City of Fairfax, as well as other fees and transfers.

It should be noted that the fund statement presented in the FY 2005 Advertised Budget Plan reflected the FY 2005 FCPS Superintendent's Proposed Budget, which was released on January 8, 2004. Adjustments to the Superintendent's Proposed Budget were adopted by the School Board on February 12, 2004 and discussed in the Overview Volume of the County's FY 2005 Advertised Budget Plan. The School Board revised the Superintendent's Proposed Budget by reflecting revenue adjustments totaling \$8.3 million based on from revised state aid projections included in the Governor's Introduced Budget. The additional revenue was used to restore \$8.3 million of the \$15.4 million in budget cuts required to balance the FY 2005 proposed budget. The School Board approved a transfer request of \$1,361,212,802 which is an increase of \$120,362,481, or 9.7 percent, over the FY 2004 transfer amount. The School Board request exceeded the County's Budget Guidelines, which holds the rate of increase in the School Operating Fund transfer to the projected increase in County General Fund revenues, by \$38.8 million. All financial schedules included in the FY 2005 Advertised Budget Plan, however, reflected a funding level commensurate with a 6.57 percent increase in the General Fund transfer to the Fairfax County Public Schools. This was consistent with the County's FY 2005 increase in General Fund Revenues. The Board of Supervisors made no change to the FY 2005 Advertised Budget Plan transfer for school operations and adopted a transfer of \$1,322,374,187, an increase of \$81,523,866, or 6.57 percent, over the *FY 2004 Revised Budget Plan* transfer of \$1,240,850,321. Of this amount, \$1,621,364 represents the ninth year of a ten-year program to eliminate the County's outstanding unfunded teachers' liability, as described below.

Teachers' salaries are paid by contract over a twelve-month period ending in August. Consequently, in order to reflect the total teachers' salaries in the year that services are rendered, an accrual is made at the end of the fiscal year for the payroll liability arising from those teachers' salaries to be paid in the first two months of the succeeding year. Therefore, expenditures for July and August are recorded in the fiscal year in which they are earned and budgeted. However, prior to FY 1984, salaries for the month of July and August were paid and recorded in the next fiscal year. The result was an unfunded liability.

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In FY 1984, the County began a program to eliminate the unpaid liability for educational employees' salaries and benefits over a ten-year period, which was to begin in FY 1984 and to continue through FY 1994. However, due to the 1990 recession, FY 1990 was the seventh and last year that the teachers' unfunded liability payment was funded. At that time the County's remaining outstanding liability was \$16,213,640. In FY 1997, the County resumed funding the teachers' liability payment with a new ten-year plan with scheduled payments of \$1,621,364 per year. The scheduled FY 2005 payment will be the ninth year of the School Board's ten-year plan, and will reduce the outstanding liability balance to \$1,621,364.

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### FUND STATEMENT

#### Fund Type G10, Special Revenue Funds

#### Fund 090, Public School Operating Fund

	FY 2003 Actual <sup>1</sup>	FY 2004 Adopted Budget Plan	FY 2004 Revised Budget Plan <sup>2</sup>	FY 2005 School Board Advertised <sup>3</sup>	FY 2005 Adopted Budget Plan <sup>3</sup>
<b>Beginning Balance</b>	<b>\$77,622,846</b>	<b>\$44,997,280</b>	<b>\$110,747,182</b>	<b>\$34,804,721</b>	<b>\$34,804,721</b>
Revenue:					
Sales Tax	\$108,484,574	\$113,298,063	\$118,338,192	\$121,824,557	\$121,824,557
State Aid	189,940,199	197,049,559	195,537,656	210,813,700	210,813,700
Federal Aid	34,643,996	34,515,876	39,802,809	37,475,166	37,475,166
City of Fairfax Tuition	26,927,421	29,085,000	27,069,379	29,138,289	29,138,289
Tuition, Fees, and Other	11,762,296	9,459,801	9,464,801	9,459,801	9,459,801
<b>Total Revenue</b>	<b>\$371,758,486</b>	<b>\$383,408,299</b>	<b>\$390,212,837</b>	<b>\$408,711,513</b>	<b>\$408,711,513</b>
Transfers In:					
County General Fund (001)	\$1,168,875,267	\$1,238,475,201	\$1,240,850,321	\$1,361,212,802	\$1,322,374,187
<b>Total Transfers In</b>	<b>\$1,168,875,267</b>	<b>\$1,238,475,201</b>	<b>\$1,240,850,321</b>	<b>\$1,361,212,802</b>	<b>\$1,322,374,187</b>
<b>Total Available</b>	<b>\$1,618,256,599</b>	<b>\$1,666,880,780</b>	<b>\$1,741,810,340</b>	<b>\$1,804,729,036</b>	<b>\$1,765,890,421</b>
<b>Total Expenditures</b>	<b>\$1,478,355,917</b>	<b>\$1,638,332,823</b>	<b>\$1,710,046,130</b>	<b>\$1,775,091,117</b>	<b>\$1,736,252,502</b>
Transfers Out:					
School Construction Fund (390)	\$13,172,173	\$13,091,514	\$11,152,388	\$12,858,000	\$12,858,000
School Grants & Self-Supporting Fund (192)	13,687,954	14,016,151	19,071,530	15,313,543	15,313,543
School Adult & Community Education Fund (193)	2,000,131	1,100,131	1,200,131	1,100,131	1,100,131
School Health & Flexible Benefits Fund (591)	293,242	340,161	340,161	366,245	366,245
<b>Total Transfers Out</b>	<b>\$29,153,500</b>	<b>\$28,547,957</b>	<b>\$31,764,210</b>	<b>\$29,637,919</b>	<b>\$29,637,919</b>
<b>Total Disbursements</b>	<b>\$1,507,509,417</b>	<b>\$1,666,880,780</b>	<b>\$1,741,810,340</b>	<b>\$1,804,729,036</b>	<b>\$1,765,890,421</b>
<b>Ending Balance</b>	<b>\$110,747,182</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<sup>1</sup> In order to account for revenues and expenditures in the proper fiscal year, audit adjustments in the amount of \$644,515 have been reflected as a decrease to FY 2003 revenues and audit adjustments of \$1,170,780 have been reflected as increases to FY 2003 expenditures to properly record revenue and payroll accruals. The audit adjustment has been included in the FY 2003 Comprehensive Annual Financial Report (CAFR). Details of the FY 2003 audit adjustment were included in the FY 2004 Third Quarter Package.

<sup>2</sup> The FY 2004 Revised Budget Plan reflects adjustments adopted by the Fairfax County School Board on March 25, 2004, during their FY 2004 Midyear Review. The Fairfax County School Board adjustments were officially reflected in the County's FY 2004 Third Quarter Review and acted on by the Board of Supervisors on April 19, 2004.

<sup>3</sup> Reflects an additional \$34.8 million in projected FY 2004 ending balance to be carried over to balance the FY 2005 budget.